

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 PM-07 NSC-07 SP-03 SS-20 RSC-01 L-03

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O P 211510Z MAY 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC IMMEDIATE 3024

INFO SECDEF WASHDC PRIORITY

USCINCEUR

C O N F I D E N T I A L ATHENS 3024

E.O. 11652: GDS

TAGS: MASS, GR

SUBJECT: FMS CREDIT FOR GREECE

REF: A. ATHENS 2971 (NOTAL)

B. CHJUSMAG 171340Z MAY 74

C. USDAO ATHENS 171700Z MAY 74

C. ATHENS 2977 (NOTAL)

1. EMBASSY AND OTHER MISSION ELEMENTS HAVE DESCRIBED (REFS A, B & C) CURRENT AMBITIOUS GREEK ARMS MODERNIZATION PROGRAM, POLITICAL CURRENTS WHICH LED TO IT AND POSSIBLE POLITICAL AND SECURITY RAMIFICATIONS FOR GREEK-TURKISH RELATIONSHIP, USG, AND NATO OF THIS PROGRAM, PARTICULARLY OF LARGE-SCALE PURCHASES FROM NON-US SOURCES. WE HAVE ALSO (REF D) OUTLINED POSSIBLE ECONOMIC IMPACT OF GOG ASSUMPTION WITHIN NEXT YEAR OF SIGNIFICANT ADDITIONAL DEBT BURDEN SUCH LARGE-SCALE PURCHASES WOULD REPRESENT. THRUST OF THESE COMMENTS IS THAT PRESENT GREEK LEADERSHIP IS DETERMINED TO IMPROVE VERY SUBSTANTIALLY MILITARY CAPABILITIES OF GREECE AND, AT LEAST FOR HAF, IN SHORTEST POSSIBLE TIME AND THAT LIMITED CREDIT AVAILABILITY FROM USG MADE PURCHASES ELSEWHERE VIRTUALLY INEVITABLE.

2. HAFIC IS REPORTED TO HAVE DECIDED UPON LTV A-7E AS REPLACE-
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MENT FOR F84F AND TO HAVE RECOMMENDED PURCHASE OF 60 A/C, WHICH

ARE LIKELY TO COST APPROXIMATELY \$250 MILLION. EMBASSY UNDERSTANDS THAT PURCHASE ARRANGEMENTS WOULD HAVE TO BE MADE BY JUNE 1 IF PRIORITY DELIVERY OF PART OF ORDER, AS DESIRED BY HAFIC, TO BE EFFECTED. A-7E PURCHASE COULD BE FITTED WITHIN HAFIC LIMITATION LEVEL OF FMS CREDIT, IF, AS ANTICIPATED, PROGRESS PAYMENTS EXTENDED OVER FOUR YEAR PERIOD (I.E. FY 75-78). A MULTI-YEAR COMMITMENT, OR A DEPENDABLE UNDERTAKING, WOULD BE ESSENTIAL TO CONSUMMATION OF THIS PURCHASE, AND EMBASSY STRONGLY RECOMMENDS THAT U.S. NEGOTIATORS BE EMPOWERED TO MAKE SUCH COMMITMENT.

3. AS NOTED IN EARLIER REPORTING, GOG ALSO WISHES TO PURCHASE OTHER AIRCRAFT FROM UNITED STATES. FOREMOST AMONG THESE ARE T-2 TRAINERS AND, POSSIBLY, C-130 TRANSPORTS. SALE OF A-7E DISCUSSED ABOVE WOULD ALL BUT PRECLUDE ANY OTHER SIZABLE FMS PURCHASE ARRANGEMENT FOR NEXT FEW YEARS, BUT EMBASSY BELIEVES U.S. COMMERCIAL INTEREST IS BEST SERVED BY RAPID IMPLEMENTATION OF SALE OF A-7E. SALES OF T-2 AND C-130 MIGHT THEN REQUIRE OTHER FINANCIAL ARRANGEMENTS. AS GENERAL PROPOSITION, EMBASSY RECOMMENDS THAT USG DO EVERYTHING POSSIBLE WITHIN EXISTING LEGISLATIVE AND FUNDING RESTRAINTS TO FACILITATE SALE OF EQUIPMENT DESCRIBED IN HAFIC LETTER (REF B). IN ADDITION TO FY 75 AND LATER YEAR CREDITS DISCUSSED ABOVE, EMBASSY STRONGLY SUPPORTS ALLOCATION TO GOG OF ADDITIONAL \$10 MILLION OF FMS CREDITS DURING FY 74 IN ORDER TO ALL BUT COMPLETE PAYMENTS ON F-4'S.

4. ALTHOUGH PROJECTED LEVEL OF GOG ARMS PURCHASES SEEMINGLY BASED ON EXAGGERATED EXPECTATION OF OIL DISCOVERIES' IMPACT ON GREEK ECONOMY, AND GOG MIGHT THUS BE OVERCOMMITTING ITSELF TO ADDITIONAL DEBT BURDEN, EMBASSY DOES NOT SEE ANY ALTERNATIVE TO PROCEEDING WITH AIRCRAFT SALE ARRANGEMENTS THAT WOULD NOT EITHER OPEN USG TO CHARGES OF BAD FAITH (IN DISCUSSIONS HERETOFORE ON A-7E) OR LEAD TO EVEN LARGER SCALE PURCHASES OF AIRCRAFT FROM THIRD COUNTRIES.

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